

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2008**

## CONTENTS

### Page

<b>Independent auditors' report</b> .....	iii - iv
<b>Management's Discussion and Analysis</b> .....	v - xii
<b>Basic financial statements</b> .....	1
Government-wide financial statements	
Statement of net assets .....	2 - 3
Statement of activities.....	4
Fund financial statements	
Balance sheet - governmental funds .....	5 - 6
Statement of revenues, expenditures and changes in fund balances - governmental funds.....	7 - 8
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	9
Fiduciary fund	
Statement of fiduciary net assets.....	10
Statement of changes in fiduciary net assets.....	11
Notes to financial statements.....	12 - 27
<b>Required supplementary information</b> .....	28
Budgetary comparison schedule - general fund .....	29
Budgetary comparison schedule - special education fund.....	30
Budgetary comparison schedule – vocational education fund .....	31
<b>Additional information</b> .....	32
Durant non-plaintiff bond.....	33



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis  
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Van Buren Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Van Buren Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District as of June 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of Van Buren Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through xii and 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Buren Intermediate School District's basic financial statements. The additional information on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mayer, Costeniser & Ellis, P.C.*

October 24, 2008

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

The Administration's discussion and analysis, a requirement of GASB 34, is intended to be the Van Buren Intermediate School District Administration's discussion and analysis of the financial results for the year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34, requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**FINANCIAL HIGHLIGHTS**

The overall condition of all funds, governmental activities and business-type activities, remains in good shape for the District. In the future, financial activities and decisions will be based on the stability of state revenues and the ongoing mandates imposed by No Child Left Behind, Special Education requirements and other rules and regulations that school districts must address.

The assets of the Van Buren Intermediate School District exceeded its liabilities at the close of the most recent fiscal year by \$33.2 million (net assets). This was an increase of \$1.3 million from last year's total of \$31.9 million in net assets. As of June 30, 2008, \$19.0 million (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students and vendors.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (General Fund, Special Education Fund, and Vocational Technical Education Fund) was \$19.7 million or 55% of the total expenditures of these operating funds last year it was at 61%. As of June 30, 2008, a total of \$2.1 million is designated for future building / renovation projects and \$5.2 million is designated for subsequent year expenditures.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole (government-wide statements), and then proceed to provide an increasingly detailed look at specific financial activities.

**Reporting the District as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

The government-wide financial statements distinguish functions of the Van Buren Intermediate School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Van Buren Intermediate School District include instruction, support services, transfers to local districts and community services.

This annual financial statement reports the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

*Fund Financial Statements*

Our analysis of the District's major funds can be found in this report under the heading "major governmental funds budgeting and operating highlights". The fund financial statements are found in this report and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Funds*

The District is the fiduciary for various student/other organizational group activities. All of the District's fiduciary activities are reported in a separate section in this report. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$33.2 million at June 30, 2008. Of this amount, \$19.0 million was unrestricted.

The largest portion of the District's net assets (57%) is unrestricted. The District may use this portion of its net assets to meet future spending.

A following is the analysis for fiscal years 2008 and 2007:

STATEMENT OF NET ASSETS  
JUNE 30  
(IN MILLIONS)

GOVERNMENTAL ACTIVITIES

	<u>2008</u>	<u>2007</u>
Current assets	\$ 23.4	\$ 23.5
Noncurrent assets	<u>15.4</u>	<u>13.7</u>
Total assets	<u><u>\$ 38.8</u></u>	<u><u>\$ 37.2</u></u>
Current liabilities	\$ 4.0	\$ 3.6
Noncurrent liabilities	<u>1.6</u>	<u>1.7</u>
Total liabilities	<u><u>\$ 5.6</u></u>	<u><u>\$ 5.3</u></u>
Net assets:		
Invested in capital assets	\$ 14.2	\$ 12.5
Unrestricted	<u>19.0</u>	<u>19.4</u>
TOTAL NET ASSETS	<u><u>\$ 33.2</u></u>	<u><u>\$ 31.9</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (Continued)

---

Governmental Activities

CHANGES IN NET ASSETS YEAR ENDED JUNE 30 (IN MILLIONS)		
GOVERNMENTAL ACTIVITIES		
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues *		
Charges for services	\$ 1.6	\$ 1.3
Operating grants and contributions	11.7	11.3
General revenues:		
Property taxes	18.5	17.1
Grants and state aid	3.3	3.4
Other	<u>0.7</u>	<u>0.9</u>
Total revenues	<u>35.8</u>	<u>34.0</u>
Functions/program expenses:		
Instruction	12.8	11.8
Support services	19.7	18.8
Other	1.2	1.4
Depreciation	<u>0.8</u>	<u>0.8</u>
Total expenses	<u>34.5</u>	<u>32.8</u>
INCREASE IN NET ASSETS	<u><u>\$ 1.3</u></u>	<u><u>\$ 1.2</u></u>

\* Program revenues include: Fees charged to local schools for services, Vocational center program sales, special education sales, special education Medicaid fees and restricted state/federal monies.



**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

---

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

---

---

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund, the Special Education Fund, and the Vocational Technical Education Fund. During the fiscal year ended June 30, 2008, the School District amended the budgets of these major governmental funds two times.

**General Fund**

The general fund actual revenue was \$5.9 million. That amount equals the original and final amended budget estimates of \$5.9 million each. The original budget was increased by \$100,000 for state aid funding and was decreased by \$100,000 for incoming transfers from other funds. The variance between the final amended budget and the June 30, 2008 actual results was due mainly to the deferral of state grants to the 2008-09 school year.

The actual expenditures of the general fund were \$6.0 million, which is lower than the original budget estimate of \$6.1 million and the final amended budget of \$6.4 million. The \$300,000 variance between the original and final budget was due to increases for land acquisition and facility improvements of \$100,000 and anticipated increases in grant supporting services of \$200,000. The \$400,000 variance between the final amended budget and the June 30, 2008 actual results was due to not fully expending monies in all program areas during the current year.

The general fund had total revenues and other financing sources of \$5.9 million and total expenditures and financing uses of \$6.0 million with an ending fund balance of \$2.8 million.

**Special Education Fund**

The special education fund actual revenue was \$21.5 million. That amount is above both the original budget estimate of \$21.2 million and the final amended budget of \$21.3 million. The \$100,000 variance between the original and final budget was due to decreases in local revenues for Medicaid receipts of \$300,000 and federal grant revenues of \$200,000, and an increase in state revenues of \$600,000. The \$200,000 variance between the final amended budget and the June 30, 2008 actual results was mainly due to the receipt of unanticipated Medicaid revenue of \$300,000 and federal program revenue usage being less than projected by \$100,000.

The actual expenditures of the special education fund were \$22.1 million, which is below the original budget and final amended budget of \$23.7 million and \$23.4 million, respectively. The \$300,000 variance between the original and final budget was due to anticipated decreases in the following areas and amounts: instruction - \$310,000, facility acquisition costs - \$150,000, community services - \$80,000, and outgoing transfers to other funds - \$60,000 and an increase in support service costs of \$300,000. The \$1.3 variance between the final amended budget and the June 30, 2008 actual results was due to not fully expending all monies in program areas .

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

**Special Education Fund (Concluded)**

The special education fund had total revenues and other financing sources of \$21.5 million and total expenditures and other financing uses of \$22.1 million with an ending fund balance of \$9.7 million. During the 2008-2009 and 2009-2010 school years the District is planning to build a new facility located in Paw Paw, Michigan area at an approximate cost range of \$3 million to \$3.5 million. In addition, substantial costs will be incurred in 2008-2009 in taking over transportation services for the local school Districts' special education students to the Behavioral Education Center located in Bangor, Michigan. These two areas will expend a large portion of the fund balance during the next two years.

**Vocational Technical Education Fund**

The vocational-technical education fund actual revenue for the fiscal year ending June 30, 2008 was \$9.6 million. That amount is above the original budget and final amended budget estimates of \$9.4 and \$9.5 million, respectively. The \$100,000 variance between the original and final budget was due to anticipated increases in state aid and tuition revenues. The \$100,000 variance between the final amended budget and the June 30, 2008 actual results was due to property taxes and interest income being higher than projected.

The actual expenditures and other financing uses of the vocational-technical education fund were \$9.2 million, which is below the original budget of \$10.2 million and the final amended budget of \$10.4 million. The \$200,000 variance between the original and final budget was mainly due to anticipated increases in instructional costs. The \$1.2 million variance between the final amended budget and the June 30, 2008 actual results was due to budgeting for fully expending program areas and the delay to the 2008-09 school year for capital improvements.

The vocational technical education fund had total revenues and other financing sources of \$9.6 million and total expenditures and other financing uses of \$9.2 million with an ending fund balance of \$7.2 million. Program planning is underway to review the need to expand the Technology Center with additional program offerings. Meetings will be held this next school with the goal to start construction on an addition to the Technology Center beginning in the 2009-2010 fiscal year. A large portion of the fund balance will be used for this project, in addition to the staffing requirements needed for the instruction.

**GOVERNMENTAL FUND REVENUES**

The total governmental fund revenues of the District were \$35.7 million. Of the total revenues, \$20.1 million or 57% were generated from local sources, \$9.0 million or 25% were generated from state sources, \$6.1million or 17% from federal sources, and \$.5 million or 1% were from incoming transfers and other transactions.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

**GOVERNMENTAL FUND EXPENDITURES**

In reviewing the chart below, you will see that special education comprises 59.5% of all the expenditures within the governmental funds of the School District. Total governmental fund expenditures amounted to \$36.1 million. The governmental funds had a net loss in fund balance of approximately \$.3 million. The ending fund balance for all governmental funds was \$19.7 million which represents 55% of current year expenditures. The ending fund balance percentage for the prior year represented 61% of last year's expenditures. This fund balance will be used to fund future programming, capital improvements and for maintenance of adequate cash flow to eliminate the need for borrowing.

	June 30, 2008	% of Total	June 30, 2007	% of Total
General Fund	\$ 5.8	16.1	\$ 5.8	17.7
Special Education Fund	21.5	59.5	18.7	57.0
Vocational Technical Education Fund	8.8	24.4	8.3	25.3
TOTAL	<u>\$ 36.1</u>	<u>100.0</u>	<u>\$ 32.8</u>	<u>100.0</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of fiscal year 2008, the School District had \$23.1 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$7.7 million in depreciation has been taken over the years. We currently have net book value of \$15.4 million. Total acquisitions for the year were \$2.5 million and depreciation was \$811,708. It should be noted that as our buildings and vehicles continue to age, repairs and maintenance will be ongoing and will drain resources from the respective fund expenditures. See the notes to financial statements indicating the increases in the different asset areas.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT - LAWRENCE, MICHIGAN  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

---

---

**CAPITAL ASSET AND DEBT ADMINISTRATION** (Continued)

CAPITAL ASSETS AT YEAR END  
(NET OF DEPRECIATION, In Millions)

GOVERNMENTAL ACTIVITIES

	<u>2008</u>	<u>2007</u>
Land	\$ 0.6	\$ 0.5
Buildings and improvements	11.8	10.6
Furniture and equipment	1.9	1.6
Vehicles/buses	<u>1.1</u>	<u>1.0</u>
 TOTAL	 <u>\$ 15.4</u>	 <u>\$ 13.7</u>

*Long-Term Debt*

At June 30, 2008, the School District had \$1,140,800 of Durant Resolution Bonds. These are a legal obligation of the school district, but the annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The economy in the State of Michigan continues to be slow. The current State of Michigan revenue estimates have declined significantly and the state has not experienced an economic turnaround based on last year's State Revenue Estimating Conference. In addition, health insurance costs have increased higher than the rate of inflation.

These factors were considered in preparing the Van Buren Intermediate School District's budgets for the 2008-2009 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Van Buren Intermediate School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Barbara Matthews  
Director of Finance and Operations  
Van Buren Intermediate School District  
490 South Paw Paw Street  
Lawrence, Michigan 49064  
Fax (269) 674-8030, Office Telephone (269) 674-8091  
Email – bmatthews@vbisd.org

## **BASIC FINANCIAL STATEMENTS**

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<b>ASSETS</b>	<b>Governmental activities</b>
		<hr/>
<b>CURRENT ASSETS:</b>		
Cash		\$ 17,350,737
Investments		1,463,594
Receivables:		
Accounts receivable		241,129
Taxes receivable		72,767
Due from other governmental units		3,958,970
Other		21,010
Prepaid expenditures		98,567
Inventory		<hr/> 237,510
<b>TOTAL CURRENT ASSETS</b>		<hr/> <b>23,444,284</b> <hr/>
<b>NONCURRENT ASSETS:</b>		
Capital assets		23,143,530
Less accumulated depreciation		<hr/> (7,743,009)
<b>TOTAL NONCURRENT ASSETS</b>		<hr/> <b>15,400,521</b> <hr/>
<b>TOTAL ASSETS</b>		<hr/> <b>\$ 38,844,805</b> <hr/>

	<b>Governmental activities</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 1,380,337
Accrued salaries and related items	2,048,000
Accrued interest	229,903
Due to other governmental units	37,578
Deferred revenue	207,823
Current portion of long-term obligations	118,826
Current portion of compensated absences	20,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,042,467</b>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	1,033,276
Noncurrent portion of compensated absences	532,355
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,565,631</b>
<b>TOTAL LIABILITIES</b>	<b>5,608,098</b>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	14,248,419
Unrestricted	18,988,288
<b>TOTAL NET ASSETS</b>	<b>33,236,707</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 38,844,805</b>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 12,832,949	\$ 506,149	\$ 5,618,984	\$ (6,707,816)
Support services	19,677,719	1,047,245	6,146,063	(12,484,411)
Community services	146,335	7,500	67,359	(71,476)
Outgoing transfer and other transactions	1,000,000	-	15,000	(985,000)
Interest on long-term debt	33,890	-	-	(33,890)
Unallocated depreciation	811,708	-	-	(811,708)
Total governmental activities	\$ 34,502,601	\$ 1,560,894	\$ 11,847,406	(21,094,301)
General revenues:				
Property taxes, levied for general purposes				451,023
Property taxes, levied for special education				10,295,826
Property taxes, levied for vocational education				7,706,717
State aid not restricted to specific purposes				3,266,207
Investment earnings				608,050
Other				64,348
Total general revenues				22,392,171
CHANGE IN NET ASSETS				1,297,870
NET ASSETS:				
Beginning of year				31,938,837
End of year				\$ 33,236,707

See notes to financial statements.



**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

		<u>Special revenue</u>			
			Special	Vocational	Other nonmajor
		General fund	education	education	governmental
			fund	fund	funds - Food
					service
					Total
					governmental
					funds
<b>ASSETS</b>					
<b>ASSETS:</b>					
Cash	\$ 1,970,315	\$ 8,392,063	\$ 6,955,638	\$ 32,721	\$ 17,350,737
Investments	59,735	685,512	718,347	-	1,463,594
Receivables:					
Accounts receivable	196,231	37,120	7,778	-	241,129
Taxes receivable	1,715	39,351	31,701	-	72,767
Due from other governmental units	1,004,282	2,776,433	178,255	-	3,958,970
Due from other funds	50,034	8,950	-	-	58,984
Interest receivable	747	13,902	6,361	-	21,010
Prepaid expenditures	98,567	-	-	-	98,567
Inventory	30,965	-	206,545	-	237,510
<b>TOTAL ASSETS</b>	<b>\$ 3,412,591</b>	<b>\$ 11,953,331</b>	<b>\$ 8,104,625</b>	<b>\$ 32,721</b>	<b>\$ 23,503,268</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 168,223	\$ 873,278	\$ 338,836	\$ -	\$ 1,380,337
Accrued salaries and related items	404,774	1,145,835	497,391	-	2,048,000
Due to other funds	1,259	36,766	16,087	4,872	58,984
Due to other governmental units	-	37,277	301	-	37,578
Deferred revenue	63,277	163,305	28,979	18,522	274,083
<b>TOTAL LIABILITIES</b>	<b>637,533</b>	<b>2,256,461</b>	<b>881,594</b>	<b>23,394</b>	<b>3,798,982</b>

See notes to financial statements.

	<u>Special revenue</u>				
	<u>General fund</u>	<u>Special education fund</u>	<u>Vocational education fund</u>	<u>Other nonmajor governmental funds - Food service</u>	<u>Total governmental funds</u>
<b>FUND BALANCES:</b>					
Reserved, inventory	\$ 30,965	\$ -	\$ 206,545	\$ -	\$ 237,510
Reserved, prepaid expenditures	98,567	-	-	-	98,567
Unreserved:					
Designated for future building projects	71,000	2,000,000	-	-	2,071,000
Designated for subsequent years expenditures	476,065	4,012,721	733,549	-	5,222,335
Undesignated	2,098,461	3,684,149	6,282,937	9,327	12,074,874
<b>TOTAL FUND BALANCES</b>	<u>2,775,058</u>	<u>9,696,870</u>	<u>7,223,031</u>	<u>9,327</u>	<u>19,704,286</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,412,591</u>	<u>\$ 11,953,331</u>	<u>\$ 8,104,625</u>	<u>\$ 32,721</u>	<u>\$ 23,503,268</u>
<b>Total governmental fund balances</b>					\$ 19,704,286
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				\$ 23,143,530	
Accumulated depreciation is				<u>(7,743,009)</u>	
					15,400,521
Long-term liabilities are not due and payable in the current period and are not reported in the funds					
Bond payable					(1,140,800)
Compensated absences					(552,355)
Lease payable					(11,302)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(229,903)
Deferred property taxes receivable at June 30, 2008 expected to be collected after September 1, 2008					<u>66,260</u>
<b>Net assets of governmental activities</b>					<u>\$ 33,236,707</u>

See notes to financial statements.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

		<u>Special revenue</u>		<b>Other nonmajor governmental funds - Food service</b>	<b>Total governmental funds</b>
	<u>General fund</u>	<u>Special education fund</u>	<u>Vocational education fund</u>		
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 436,013	\$ 10,295,826	\$ 7,706,717	\$ -	\$ 18,438,556
Interest	80,827	303,988	223,235	-	608,050
Other	70,602	691,433	297,283	6,267	1,065,585
Total local sources	587,442	11,291,247	8,227,235	6,267	20,112,191
State sources	2,209,763	5,792,291	991,370	-	8,993,424
Federal sources	1,647,152	4,171,044	215,201	71,796	6,105,193
Operating transfers	298,056	53,672	188,008	-	539,736
Total revenues	4,742,413	21,308,254	9,621,814	78,063	35,750,544
<b>EXPENDITURES:</b>					
Instruction	756,770	6,722,476	5,350,129	-	12,829,375
Supporting services	4,908,124	12,126,198	3,388,691	78,661	20,501,674
Community services	18,459	121,523	6,353	-	146,335
Facilities acquisition	79,736	1,493,758	46,464	-	1,619,958
Outgoing transfers and other	-	1,000,000	-	-	1,000,000

See notes to financial statements.

		<u>Special revenue</u>			
	<u>General fund</u>	<u>Special education fund</u>	<u>Vocational education fund</u>	<u>Other nonmajor governmental funds - Food service</u>	<u>Total governmental funds</u>
<b>EXPENDITURES (Concluded):</b>					
Debt service:					
Principal repayment	32,878	-	-	-	32,878
Interest expense	1,461	-	-	-	1,461
Total expenditures	<u>5,797,428</u>	<u>21,463,955</u>	<u>8,791,637</u>	<u>78,661</u>	<u>36,131,681</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (1,055,015)</u>	<u>\$ (155,701)</u>	<u>\$ 830,177</u>	<u>\$ (598)</u>	<u>\$ (381,137)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	-	28,777	6,140	-	34,917
Transfers from other funds	1,158,352	193,204	-	-	1,351,556
Transfers to other funds	(193,204)	(683,352)	(475,000)	-	(1,351,556)
Total other financing sources (uses)	<u>965,148</u>	<u>(461,371)</u>	<u>(468,860)</u>	<u>-</u>	<u>34,917</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(89,867)</u>	<u>(617,072)</u>	<u>361,317</u>	<u>(598)</u>	<u>(346,220)</u>
<b>FUND BALANCES:</b>					
Beginning of year	<u>2,864,925</u>	<u>10,313,942</u>	<u>6,861,714</u>	<u>9,925</u>	<u>20,050,506</u>
End of year	<u><u>\$ 2,775,058</u></u>	<u><u>\$ 9,696,870</u></u>	<u><u>\$ 7,223,031</u></u>	<u><u>\$ 9,327</u></u>	<u><u>\$ 19,704,286</u></u>

See notes to financial statements.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

**Net change in fund balances total governmental funds** \$ (346,220)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(811,708)
Capital outlay	2,521,071
Loss on sale of capital assets	(62,860)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	197,474
Accrued interest payable, end of the year	(229,903)

Repayments on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Payment of capital leases	32,878
---------------------------	--------

Revenue is recorded on the accrual method in the statement of activities in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred revenue, beginning of year	(51,250)
Deferred revenue, end of year	66,260

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:

Accrued compensated absences, beginning of the year	534,483
Accrued compensated absences, end of the year	<u>(552,355)</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ 1,297,870</u></b>
--	----------------------------

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

	<b>Private purpose trust fund</b>	<b>Agency funds</b>
<b>ASSETS</b>		
<b>ASSETS:</b>		
Cash	<u>\$    19,897</u>	<u>\$    39,641</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Due to student and other groups	<u>\$          -</u>	<u>\$    39,641</u>
<b>NET ASSETS:</b>		
Reserved for trust activities	<u>19,897</u>	<u>-</u>
	<u><u>\$    19,897</u></u>	<u><u>\$    39,641</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
STATEMENT CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2008**

	<b>Private purpose trust fund</b>
<b>Additions:</b>	
Local sources	\$ 219
<b>Net assets, beginning of year</b>	<u>19,678</u>
<b>Net assets, end of year</b>	<u><u>\$ 19,897</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Van Buren Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The Van Buren Intermediate School District (the "District") is governed by the Van Buren Intermediate School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.



**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and proprietary funds, the latter are also included in government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Special revenue funds:

The *special education fund* accounts for revenue sources that are legally restricted to expenditures for special education.

The *vocational education fund* accounts for revenue sources that are legally restricted to expenditures for career services and technical education.

**Other Non-major Funds**

The *special revenue funds* account for the revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service in the special revenue funds.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and Fund Financial Statements (Concluded)**

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**Modified Accrual Method**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Categorical Revenue**

The District receives revenue from the state for general operations and to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.  
(Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund	0.1420
Special revenue funds:	
Special education fund	3.3462
Vocational education fund	2.5099

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the general fund and special revenue funds consist of expendable supplies held for consumption and are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Inventories of the vocational education fund are comprised principally of land held for resale and houses held for resale.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	20 - 50 years
Buses and other vehicles	8 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Continued)**

6. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for the amounts that are not available for appropriation or are legally restricted by outside parties for the use of a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special education, and vocational education funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of June 30, 2008, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Standard &amp; Poor's rating</b>	<b>%</b>
MILAF External Investment pool - MICMS	\$ 7,031	0.0027	AAAm	0.48%
MILAF External Investment pool - MIMAX	<u>1,456,563</u>	0.0027	AAAm	<u>99.52%</u>
Portfolio weighted average maturity	<u>\$ 1,463,594</u>	<u>0.0027</u>		<u>100.00%</u>
1 day maturity equals 0.0027				

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Funds (MILAF). These are external pooled investment funds of “qualified” investments for Michigan school districts. MILAF is not regulated nor are they registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District’s investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2008, \$17,038,310 of the District’s bank balance of \$17,793,930 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$17,410,275.



**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of credit risk - investments.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$ 59,538	\$ 17,410,275
Investments	<u>1,463,594</u>
	<u><u>\$ 18,873,869</u></u>

The above amounts are reported in the financial statements as follows:

Cash - fiduciary fund	\$ 59,538
Cash - district-wide	17,350,737
Investments - district-wide	<u>1,463,594</u>
	<u><u>\$ 18,873,869</u></u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2008 from other governmental units consist of the following:

Governmental units:	
State aid	\$ 1,520,142
Federal revenue	2,308,406
Other	<u>130,422</u>
	<u><u>\$ 3,958,970</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - RECEIVABLES**

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Reclassifications/d eletions	Balance June 30, 2008
Assets not being depreciated - land	\$ 560,843	\$ 72,270	\$ -	\$ 633,113
Other capital assets:				
Buildings and additions	14,728,254	1,482,765	-	16,211,019
Equipment	3,579,144	636,427	136,873	4,078,698
Buses and other equipment	1,935,340	329,609	44,249	2,220,700
Subtotal	20,242,738	2,448,801	181,122	22,510,417
Accumulated depreciation:				
Buildings and additions	4,088,146	330,544	-	4,418,690
Equipment	2,009,696	246,252	101,669	2,154,279
Buses and other equipment	951,721	234,913	16,594	1,170,040
Subtotal	7,049,563	811,709	118,263	7,743,009
Net capital assets	\$ 13,754,018	\$ 1,709,362	\$ 62,859	\$ 15,400,521

Depreciation for the fiscal year ended June 30, 2008 amounted to \$811,708. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT**

The District issues general and limited obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term debt currently outstanding is as follows:

1998 limited obligation bonds (Durant bonds) due in annual installments of \$107,524 to \$679,018 due May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	\$ 1,140,800
Computer capital lease - month payments of \$2,862 with interest at 4.99%	11,302
Compensated absences	<u>552,355</u>
Total general long-term debt	<u><u>\$ 1,704,457</u></u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The annual payments to amortize the limited obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 107,524	\$ 28,153	\$ 135,677
2010	112,639	23,033	135,672
2011	118,004	17,670	135,674
2012	123,615	12,052	135,667
2013	<u>679,018</u>	<u>232,550</u>	<u>911,568</u>
	<u><u>\$ 1,140,800</u></u>	<u><u>\$ 313,458</u></u>	<u><u>\$ 1,454,258</u></u>

The annual payments to amortize the computer lease are as follows:

Year ending June 30,	Principal	Interest	Total
2009	<u><u>\$ 11,302</u></u>	<u><u>\$ 118</u></u>	<u><u>\$ 11,420</u></u>

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM DEBT (Concluded)**

The following is a summary of the changes in liabilities reported in the general long-term debt account group.

	Computer lease	Limited obligation bond (Durant)	Compensated absences	Total
Balance, June 30, 2007	\$ 44,180	\$ 1,140,800	\$ 552,355	\$ 1,737,335
Additions				
Deletions	(32,878)	-	-	(32,878)
Balance, June 30, 2008	11,302	1,140,800	552,355	1,704,457
Less current portion	(11,302)	(107,524)	(20,000)	(138,826)
Total due after one year	<u>\$ -</u>	<u>\$ 1,033,276</u>	<u>\$ 532,355</u>	<u>\$ 1,565,631</u>

**NOTE 7 - INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES**

The composition of interfund transfers is as follows:

	Transfers out				
	General fund	Special education fund	Vocational education fund	Food service fund	Total
Transfers in:					
General fund	\$ -	\$ 683,352	\$ 475,000	\$ -	\$ 1,158,352
Special education fund	193,204	-	-	-	193,204
Total	<u>\$ 193,204</u>	<u>\$ 683,352</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ 1,351,556</u>

Transfers are made annually to allocate expenditures for indirect costs.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES (Concluded)**

Amounts due to and from other funds at June 30, 2008 are as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	\$ 50,034	General fund	\$ 1,259
Special education fund	8,950	Special education fund	36,766
Vocational education fund	-	Vocational education fund	16,087
Food service fund	-	Food service fund	4,872
	\$ 58,984		\$ 58,984

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)**

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% of payroll through September 30, 2007, and 16.72% effective for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$3,130,721, \$2,884,489 and \$2,746,175, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or post-employment benefits which is the responsibility of the State of Michigan.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RISK MANAGEMENT (Concluded)**

In addition the District is also a member of the West Michigan Health Insurance Pool (WMHIP) for medical insurance. Approximately 1,600 employees from all districts are covered under this pool. The pool is classified as a MEWA. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premium for said year, all members of the specific pool's policy year may be subject to special assessment for each occurrence with the overall maximum coverage being unlimited. The pool maintains reinsurance for claims in excess of \$75,000 per person per plan year.

The District continues to carry commercial insurance for other needs including health insurance for other employee groups.

The School District also has a self-insured dental and vision plan for the benefit of certain employees. Claims are handled by an administrative service organization, which is reimbursed on a regular basis by the District. The balance of the plan at June 30, 2008 is \$23,648. The amount owed for claims submitted at June 30, 2008 is \$4,001. This amount is not included in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget - positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 561,900	\$ 587,100	\$ 587,442	\$ 342
State sources	2,137,684	2,289,585	2,209,763	(79,822)
Federal sources	1,673,880	1,595,401	1,647,152	51,751
Incoming transfers and other transactions	279,683	302,874	298,056	(4,818)
Total revenues	4,653,147	4,774,960	4,742,413	(32,547)
<b>EXPENDITURES:</b>				
Instruction	837,945	787,771	756,770	31,001
Supporting services	5,012,687	5,270,237	4,908,124	362,113
Community services	7,450	21,850	18,459	3,391
Facilities acquisition	10,000	131,875	79,736	52,139
Debt service:				
Principal repayment	32,878	32,878	32,878	-
Interest expense	1,500	1,500	1,461	39
Total expenditures	5,902,460	6,246,111	5,797,428	448,683
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,249,313)</u>	<u>(1,471,151)</u>	<u>(1,055,015)</u>	<u>416,136</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds	1,270,000	1,163,938	1,158,352	(5,586)
Operating transfers to other funds	(193,204)	(193,204)	(193,204)	-
Total other financing sources (uses)	1,076,796	970,734	965,148	(5,586)
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (172,517)</u></u>	<u><u>\$ (500,417)</u></u>	<u>(89,867)</u>	<u><u>\$ 410,550</u></u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>2,864,925</u>	
End of year			<u><u>\$ 2,775,058</u></u>	

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2008**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget - positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 11,209,000	\$ 10,913,500	\$ 11,291,247	\$ 377,747
State sources	5,210,000	5,805,000	5,792,291	(12,709)
Federal sources	4,521,704	4,294,738	4,171,044	(123,694)
Incoming transfers and other transactions	20,352	47,596	53,672	6,076
Total revenues	<u>20,961,056</u>	<u>21,060,834</u>	<u>21,308,254</u>	<u>247,420</u>
<b>EXPENDITURES:</b>				
Instruction	7,175,629	6,852,011	6,722,476	129,535
Supporting services	12,549,667	13,245,312	12,126,198	1,119,114
Community services	206,522	121,025	121,523	(498)
Facilities acquisition	1,706,000	1,559,300	1,493,758	65,542
Outgoing transfers and other	1,400,000	1,000,000	1,000,000	-
Total expenditures	<u>23,037,818</u>	<u>22,777,648</u>	<u>21,463,955</u>	<u>1,313,693</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,076,762)</u>	<u>(1,716,814)</u>	<u>(155,701)</u>	<u>1,561,113</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets		29,000	28,777	(223)
Operating transfers from other funds	193,204	193,204	193,204	-
Operating transfers to other funds	(749,789)	(688,938)	(683,352)	5,586
Total other financing sources (uses)	<u>(556,585)</u>	<u>(466,734)</u>	<u>(461,371)</u>	<u>5,363</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (2,633,347)</u>	<u>\$ (2,183,548)</u>	<u>(617,072)</u>	<u>\$ 1,566,476</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>10,313,942</u>	
End of year			<u>\$ 9,696,870</u>	

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – VOCATIONAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2008**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with final budget - positive (negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 8,119,600	\$ 8,138,125	\$ 8,227,235	\$ 89,110
State sources	941,000	1,004,500	991,370	(13,130)
Federal sources	217,829	215,201	215,201	-
Incoming transfers and other transactions	145,000	185,000	188,008	3,008
Total revenues	9,423,429	9,542,826	9,621,814	78,988
<b>EXPENDITURES:</b>				
Instruction	5,492,116	5,720,588	5,350,129	370,459
Supporting services	4,089,518	4,088,203	3,388,691	699,512
Community services	51,618	8,705	6,353	2,352
Facilities acquisition	125,700	127,200	46,464	80,736
Total expenditures	9,758,952	9,944,696	8,791,637	1,153,059
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(335,523)</b>	<b>(401,870)</b>	<b>830,177</b>	<b>1,232,047</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	2,000	6,500	6,140	(360)
Operating transfers to other funds	(475,000)	(475,000)	(475,000)	-
Total other financing uses	(473,000)	(468,500)	(468,860)	(360)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (808,523)</b>	<b>\$ (870,370)</b>	<b>361,317</b>	<b>\$ 1,231,687</b>
<b>FUND BALANCE:</b>				
Beginning of year			6,861,714	
End of year			\$ 7,223,031	

## **ADDITIONAL INFORMATION**

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS  
DURANT NON-PLAINTIFF BOND  
JUNE 30, 2008**

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest due</u>	<u>Total</u>
2009	\$ 107,524	4.76%	\$ 28,153	\$ 135,677
2010	112,639	4.76%	23,033	135,672
2011	118,004	4.76%	17,670	135,674
2012	123,615	4.76%	12,052	135,667
2013	<u>679,018</u>	4.76%	<u>232,550</u>	<u>911,568</u>
	<u>\$ 1,140,800</u>		<u>\$ 313,458</u>	<u>\$ 1,454,258</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2008**

CONTENTS

	<u>Page</u>
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	1 - 2
Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 .....	3 - 5
Schedule of expenditures of federal awards .....	6 - 12
Notes to schedule of expenditures of federal awards.....	13
Schedule of findings and questioned costs .....	14
Schedule of prior audit findings.....	15



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis  
James A. McNeeley  

---

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Van Buren Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Van Buren Intermediate School District's basic financial statements and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Van Buren Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Van Buren Intermediate School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Van Buren Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Van Buren Intermediate School District in a separate letter dated October 24, 2008.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mamie Costeniser & Ellis, P.C.*

October 24, 2008



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

---

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Van Buren Intermediate School District

**Compliance**

We have audited the compliance of Van Buren Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Van Buren Intermediate School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Van Buren Intermediate School District's management. Our responsibility is to express an opinion on Van Buren Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Van Buren Intermediate School District's compliance with those requirements.

In our opinion, Van Buren Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of Van Buren Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Van Buren Intermediate School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Van Buren Intermediate School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Van Buren Intermediate School District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Van Buren Intermediate School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Van Buren Intermediate School District as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Van Buren Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer, Costeniser & Ellis, P.C.*

October 24, 2008

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor Program Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 07/01/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/08
<b>U.S. Department of Agriculture:</b>								
Passed through Michigan Department of Education:								
Food Distribution Program - Summer Food Service:								
Entitlement Commodities	10.550	\$ 1,045	\$ -	\$ -	\$ 1,045	\$ 1,045	\$ -	\$ -
Child Nutrition Cluster:								
National School Lunch Program								
071950	10.555	423	-	-	423	423	-	-
072010	10.555	1,746	-	-	1,746	1,746	-	-
081950	10.555	3,201	-	-	3,201	3,201	-	-
071960	10.555	17,367	-	-	17,367	17,367	-	-
Total National School Lunch		22,737	-	-	22,737	22,737	-	-
Summer Food Service:								
070900	10.559	25,408	-	-	25,408	25,408	-	-
070900	10.559	18,051	-	-	18,051	18,051	-	-
071900	10.559	4,555	-	-	4,555	4,555	-	-
080900	10.559	18,522	-	-	-	18,522	-	(18,522)
Total Summer Food Service		66,536	-	-	48,014	66,536	-	(18,522)
Total Child Nutrition Cluster		89,273	-	-	70,751	89,273	-	(18,522)
Total U.S. Department of Agriculture		90,318	-	-	71,796	90,318	-	(18,522)

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor Program Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 07/01/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/08
<b>U.S. Department of Education:</b>								
Direct from U.S. Department of Education:								
Small Rural Schools Achievement Program:								
S358A055726	84.358A	\$ 41,737	\$ 33,892	\$ 41,737	\$ -	\$ 33,892	\$ -	\$ -
S358A065726	84.358A	42,750	1,553	1,553	41,197	42,750	-	-
S358A075726	84.358A	40,540			29,610	28,981	-	629
Total Small Rural Schools Achievement Program		125,027	35,445	43,290	70,807	105,623	-	629
Carol M. White Physical Education Program:								
Q215F050068	84.215F	726,269	94,114	528,614	168,552	178,000	-	84,666
Total Direct from U.S. Department of Education		851,296	129,559	571,904	239,359	283,623	-	85,295
Passed through Michigan Department of Education:								
Special Education Cluster:								
Handicapped and School Programs:								
070450 0607	84.207A	3,287,270	657,008	2,757,008	530,262	1,187,270	-	-
080450 0708	84.207A	3,324,075	-	-	3,098,612	1,602,000	-	1,496,612
070480 EOSD	84.207A	50,000	5,000	50,000	-	5,000	-	-
080480 EOSD	84.207A	50,000	-	-	50,000	34,800	-	15,200
070490 TS	84.207A	70,000	14,200	70,000	-	14,200	-	-
080490 TS	84.207A	60,000	-	-	60,000	30,000	-	30,000
080440 0708	84.027A	4,500	-	-	4,500	-	-	4,500
080440 0708A	84.027A	4,000	-	-	4,000	-	-	4,000
Total Handicapped and School Programs		6,849,845	676,208	2,877,008	3,747,374	2,873,270	-	1,550,312

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor Program Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 07/01/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/08
<b>U.S. Department of Education:</b>								
Passed through Michigan Department of Education:								
Special Education Cluster:								
Preschool Grant:								
070460 0607	84.173A	\$ 98,860	\$ 13,694	\$ 72,994	\$ 25,866	\$ 39,560	\$ -	\$ -
080460 0708	84.173A	98,856	-	-	79,906	33,100	-	46,806
Total Preschool Incentive		197,716	13,694	72,994	105,772	72,660	-	46,806
Total Special Education Cluster		7,047,561	689,902	2,950,002	3,853,146	2,945,930	-	1,597,118
Title I, Migrant Education:								
071830 2007	84.011	514,134	16,134	16,134	473,421	489,555	-	-
081830 2008	84.011	550,268	-	-	48,284	-	-	48,284
071850-20072	84.011	143,000	5,333	5,333	134,579	139,912	-	-
071850-20074	84.011	70,500	5,095	5,095	50,997	56,092	-	-
081850 20072	84.011	148,000	-	-	24,133	-	-	24,133
081850 20084	84.011	70,500	-	-	27,209	-	-	27,209
071890 0607	84.011	356,984	56,237	356,237	747	56,984	-	-
081890 0708	84.011	355,712	-	-	355,315	43,800	-	311,515
Total Title I, Migrant Education		2,209,098	82,799	382,799	1,114,685	786,343	-	411,141
Infants and Toddlers:								
071340 190	84.181A	157,828	16,184	35,984	121,844	138,028	-	-
081340 190	84.181A	155,179	-	-	70,881	12,500	-	58,381
Total Infants and Toddlers		313,007	16,184	35,984	192,725	150,528	-	58,381

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor Program Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 07/01/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/08
<b>U.S. Department of Education:</b>								
Passed through Michigan Department of Education:								
Title II, Part A Improving Teacher Quality:								
070520 0607	84.367	\$ 852	\$ -	\$ -	\$ 284	\$ -	\$ -	\$ 284
080520 0708		852	-	-	-	-	-	-
Total Title II, Part A, Improving Teacher Quality		1,704	-	-	284	-	-	284
Title V, Part A, Innovative:								
080580 0708	84.298	805	-	-	227	-	-	227
Title III, English Language Acquisition:								
070580-0607	84.365A	92,837	427	82,227	10,610	11,037	-	-
080580 0708	84.365A	84,305	-	-	84,305	3,400	-	80,905
Total Title III, English Language Acquisition		177,142	427	82,227	94,915	14,437	-	80,905
Total passed through Michigan Department of Education		9,749,317	789,312	3,451,012	5,255,982	3,897,238	-	2,148,056
Passed through Grand Valley State College:								
SMART (Southern Michigan Autism Resource Team):								
ID20MAT	84.027A	35,726	-	-	29,636	17,863	-	11,773
Passed Through Lewis Cass ISD:								
CTE Perkins								
083520 8012-19	84.048	182,104	-	-	182,104	182,104	-	-

The accompanying notes are an integral part of this schedule.



**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor Program Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 07/01/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/08
<b>U.S. Department of Education:</b>								
Passed through Berrien County ISD								
Safe and Drug-Free Schools								
082860-0708	84.186	\$ 411	\$ -	\$ -	\$ 411	\$ 411	\$ -	\$ -
Tech Prep								
083540 8012-19	84.243	33,097	-	-	33,097	33,097	-	-
Total passed through Berrien County ISD		33,508	-	-	33,508	33,508	-	-
Total U.S. Department of Education		10,851,951	918,871	4,022,916	5,740,589	4,414,336	-	2,245,124
<b>U.S. Department of Health and Human Services:</b>								
Zero to Three Secondary Prevention:								
CTFPR-07-80001	93.558	131,250	(3,811)	47,949	40,987	37,176	-	-
CTFPR-07-80001	93.558	175,000	-	-	144,345	109,955		34,390
Total Zero to Three Secondary Prevention		131,250	(3,811)	47,949	185,332	147,131	-	34,390
Passed through Michigan Department of Human Services:								
In Home Parent Training:								
SFSC-05-80005-3	93.556	13,950	1,066	11,414	1,639	2,705	-	-
SFSC 08-80001	93.556	15,495	-	-	10,712	9,022	-	1,690
Total In Home Parent Training		29,445	1,066	11,414	12,351	11,727	-	1,690
Total passed through MDHS		160,695	(2,745)	59,363	197,683	158,858	-	36,080

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor Program Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 07/01/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/08
Passed through Michigan Department of Community Health:								
Medicaid School Based Services	93.778	\$ 2,617	\$ 2,361	\$ -	\$ 15,664	\$ 17,475	\$ -	\$ 550
Medicaid Administrative Outreach	93.778	108,596	-	-	22,454	108,596	-	(86,142)
Total passed through MDCH		111,213	2,361	-	38,118	126,071	-	(85,592)
Total U.S. Department of Health and Human Services		271,908	(384)	59,363	235,801	284,929	-	(49,512)
Total Federal Financial Assistance		\$ 11,214,177	\$ 918,487	\$ 4,082,279	\$ 6,048,186	\$ 4,789,583	\$ -	\$ 2,177,090

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PASS-THROUGH  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor Passed Through Grantor Program Title	Federal CFDA Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue 07/01/07	(Memo Only) Prior Year Expenditures	Current Year Expenditures	(Cash Basis) Current Year Receipts	Adjustments	Accrued (Deferred) Revenue 06/30/08
Medicaid Administrative Outreach	93.778							
Passed Through to:								
Bangor Public Schools		\$ 13,341	\$ 2,634	\$ 2,634	\$ -	\$ 13,340	\$ -	\$ (10,706)
Bloomington Public Schools		7,704	1,482	1,482	-	7,704	-	(6,222)
Covert Public Schools		6,345	1,245	1,245	-	6,345	-	(5,100)
Decatur Public Schools		5,493	1,152	1,152	-	5,493	-	(4,341)
Gobles Public Schools		4,676	881	881	-	4,676	-	(3,795)
Hartford Public Schools		11,136	2,201	2,201	-	11,136	-	(8,935)
Larwence Public Schools		6,936	1,379	1,379	-	6,936	-	(5,557)
Lawton community Schools		6,714	1,224	1,224	-	6,714	-	(5,490)
Mattawan Consolidated Schools		20,204	4,088	4,088	-	20,204	-	(16,116)
Paw Paw Public Schools		10,980	1,927	1,927	-	10,980	-	(9,053)
South Haven Public Schools		13,116	2,289	2,289	-	13,116	-	(10,827)
Total Medicaid Administrative Outreach Passed to Subrecipients		106,645	20,502	20,502	-	106,644	-	(86,142)
Total Federal Funds Passed Through to Subrecipients		\$ 106,645	\$ 20,502	\$ 20,502	\$ -	\$ 106,644	\$ -	\$ (86,142)

The accompanying notes are an integral part of this schedule.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activities of Van Buren Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-profit Organization, and reconciles with the amounts in the preparation of the financial statements.
2. Special Education Cluster CFDA #84.027 and 84.173, and Title I, Migrant Education CFDA #84.011 were audited as a major program representing 82% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Expenditures in this schedule have been reconciled with Michigan Department of Education financial reports (DS4044, DS4092A, and other applicable reports).
5. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
6. Federal revenue is reported in the following funds in the financial statements:

General fund	\$ 1,647,152
Special education fund	4,171,044
Vocational education fund	215,201
School lunch fund	71,796
Federal revenue reported in the financial statements due to not receiving within 60 days of prior year end	<u>(57,007)</u>
Federal expenditures reported in the Schedule of Expenditures of Federal Awards	<u>\$ 6,048,186</u>

7. The expenditures reported for CFDA #93.778 Medicaid Outreach are equal to the revenues recorded. Certain cash receipts were recorded as deferred revenue due to the uncertainties that exist resulting from the possible repayments that may have to be made in the future due to the back casting process being performed by the State of Michigan.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster
84.011	Title I, Migrant Education

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

No matters were reported for the year ended June 30, 2008

**Section III - Federal Award Findings and Questioned Costs**

No findings or questioned costs were noted for the year ended June 30, 2008.

**VAN BUREN INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Finding - 2007-1**

**Finding considered a significant deficiency**

**Criteria:** Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a control deficiency is considered a significant deficiency. The monthly bank reconciliations and journal entries are prepared and reconciled timely, however these transaction and procedures should be reviewed by someone other than the person who prepares them.

**Recommendation:** Monthly bank reconciliations and journal entries prepared by the Director of Finance and Operations should be reviewed and approved by an appropriate individual. These procedures should be documented.

**Current status:** The monthly bank reconciliations and journal entries are now being reviewed by an appropriate individual and are also being documented. No similar findings were noted in the June 30, 2008 audit.



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis  
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

October 24, 2008

To the Board of Education  
Van Buren Intermediate School District  
Lawrence, Michigan

In planning and performing our audit of the financial statements of Van Buren Intermediate School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Van Buren Intermediate School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 24, 2008 on the financial statements of Van Buren Intermediate School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

### **Month-end procedures checklist**

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

### **Uninsured bank deposits**

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.



We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Van Buren Intermediate School District, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Mamie Costeniser & Ellis, P.C.*



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raeck  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis  
James A. McNeeley  

---

Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

October 24, 2008

To the Board of Education  
Van Buren Intermediate School District  
Lawrence, Michigan

We have audited the financial statements of Van Buren Intermediate School District for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Van Buren Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Van Buren Intermediate School District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Van Buren Intermediate School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Van Buren Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Van Buren Intermediate School District's compliance with those requirements.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 23, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Van Buren Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the estimated liability for compensated absences is based on estimated future payments. We evaluated the key factors and assumptions used to develop the liability for compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosure affecting the financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 24, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Van Buren Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maureen Costigan, E. Ellis, P.C.*